



Ky.'s Tobacco Payments Could Hit \$359M Through 2010

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(Mike Simons/Getty Images)

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Kentucky can expect to receive nearly \$359 million in payments over the next three years from a national tobacco settlement that has helped to fund projects ranging from horticultural production to water and sewer infrastructure.

An estimated \$117.5 million in payments from the 1998 settlement agreement are expected to be sent to the state this fiscal year, with approximately \$115 million already received, legislative staff told the General Assembly's Tobacco Settlement Agreement Fund Oversight Committee today.

That is much more than the approximately \$103 million the state received from settlement in 2006.

Even more settlement dollars are expected to flow into the state over the next two years. Kentucky should receive an estimated \$120 million in 2009, and \$121.6 million in 2010, although those are estimations.

The actual payments depend on the amount of cigarettes sold by tobacco companies, inflation, payments to states that were not part of the national settlement and market share.

The tobacco dollars are split three ways, with agriculture receiving 50 percent of the money and early childhood education and health programs splitting the other half. Of the agriculture dollars, counties will receive an estimated \$16.4 million this year and in each of the next two years for county-specific programs overseen by the state Agricultural Development Board (ADB).

At least \$42 million per year will be placed in the state ADB account for debt service on water and sewer projects, nearly \$900,000 in funding for a state Agriculture Heritage Center and money for other statewide projects.

According to the legislation that devised how the tobacco dollars would be split between the counties and the state for agriculture projects, counties would receive 35 percent of the agriculture funds while 65 percent would go into the state account.

But over the next two years, the state will receive more than its 65 percent share, legislative staff explained. However, the amount that counties are estimated to receive will remain constant.

Some lawmakers were concerned about the transfer of approximately \$12 million in 2009 and almost \$5 million in 2010 in tobacco dollars from the agricultural development fund to the state's General Fund for various purposes.

Those lawmakers were particularly concerned about when or whether the money would be returned to the agricultural fund in later budget sessions.

"This is something we need to be mindful of in the next session, that we get that money restored," said Senate Minority Whip Joey Pendleton, D-Hopkinsville.

Committee Co-Chairman Rep. Rick Rand, D-Bedford, said the state has used a portion of its tobacco dollars for years to pay debt service on water and sewer project bonds. He questioned, however, what happens to that debt service that is unused.

"We have money out there dedicated to that debt service that has really never been spent," Rand said.

Legislative staff said money appropriated for debt service that is not needed for that purpose is typically transferred to the General Fund.

Lawmakers added during the meeting that they are pleased that rural community needs are being met through the use of tobacco dollars.

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